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Before the
Federal Communications Commission
Washington, D.C.

In the matter of

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Federal State Joint Board on
Universal Service

)
) CC Docket No. 96-45
)
) FCC 97-420
)

Lan Neugent and Greg Weisiger submit these reply comments on certain comments filed with respect to our Petition for Reconsideration of the Commission's Fourth Order on Reconsideration.

Several Local Exchange Carriers commented that our petition should be denied. We asked the FCC to adopt rules allowing all providers of telecommunications services to be eligible for Universal Service funding for advanced services under Section 254(h)(2)(A).

Bell Atlantic contends "high-quality voice, data and video" services are routinely offered by telecommunications carriers and are not, as the statute suggests in Section 706, Advanced Telecommunications. Bell Atlantic suggests reimbursement is limited to telecommunications carriers under Section 254(h)(1)(B). Ameritech uses the same argument to deny our petition in their comments. Finally, BellSouth cites 47 U.S.C. 153 (46) as the basis for denial of our petition.

We maintain our position on our Petition for Reconsideration and suggest the FCC not be persuaded by comments submitted by these telephone companies. We disagree with Bell Atlantic's contention that "high-quality voice, data, and video" are "services that carriers routinely offer" and they are not advanced telecommunications and information services. Local Exchange Carriers are just now beginning to offer video services through their systems and those offerings

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are certainly not universally available. A rural school division in Virginia requested DS3 service for video transmission between schools and was told the LEC did not have that capability and would have to charge the school system \$10,000 in order to bring DS3 service to the community. This is not an isolated case. We also disagree with Bell Atlantic's assertion that "high-quality voice, data and video" services are not "Advanced Telecommunications" as they insist. We arrived at that language from Section 706 of the Act under definitions for "Advanced Telecommunications Capability" which lists high-quality voice, data, graphics and video as advanced telecommunications.

We agree with Bell Atlantic and Ameritech that section 254(h)(1)(B) refers only to LEC's as "all telecommunications carriers serving a geographic area." This cite gives LEC's specific instructions to provide certain "special services" to schools and libraries at discounts when requested. Our petition however asks the FCC to address 254(h)(2)(A) as mandated in the Act to establish competitively neutral rules and enhance access to advanced telecommunications for schools, libraries and health care providers. The LEC's currently enjoy almost no competition in their designated geographic areas, necessitating the inclusion of non-LEC's in any regulations which attempt to ensure competitive neutrality. As noted by C. Michael Armstrong, CEO and John D. Zeglis, President of AT&T in their February 24, 1998 letter to shareholders "...the Bell companies offer an average discount of only 22 percent for so-called 'Total Service Resale.' This 22 percent discount for local wire resale is far short of what's needed to justify investment for local competition. So no one is investing today. As a result, the incumbents' share of the local exchange market remained virtually unchanged throughout 1997." Allowing non-LEC's to

provide advanced telecommunications and receive Universal Service funds will foster competition and speed the offering of inexpensive telecommunications in all areas of the country. We do ask that in formulating these advanced telecommunications rules, the FCC insist that participating companies offer their services to the public in addition to schools and libraries.

Ameritech correctly points out the fact that if Universal Service non-contributors are in direct competition with contributors for school and library business, non-contributors will enjoy a slight competitive edge over contributors - all else being equal. Because of this we suggest that in order to maintain competitive neutrality, the FCC require schools, libraries and health care providers to accept competitive bids for services provided by non-contributors only if those bids are at least 5 percent less than bids submitted by contributors to the Universal Service Fund.

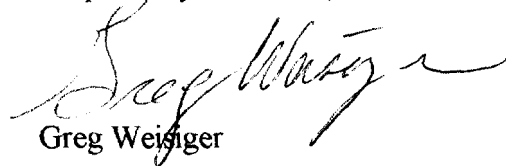


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Respectfully submitted,



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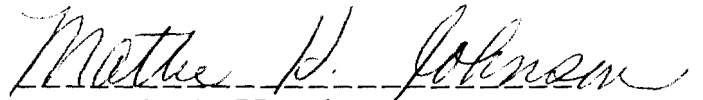
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April 3, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this 6th day of April, 1998, served all parties to this action with a copy of the foregoing reply COMMENTS ON PETITIONS FOR RECONSIDERATION by placing a true and correct copy of the same in the United States Mail. Postage prepaid, addressed to the parties listed on the attached service list.


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